

*United States Court of Appeals
for the Second Circuit*



**APPELLANT'S
REPLY BRIEF**

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75-7168

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United States Court of Appeals

For the Second Circuit.

ANTHONY J. CALI,

Plaintiff-Appellant,

v.

JAPAN AIRLINES CO., LTD., SCANDINAVIAN AIRLINES
SYSTEM, SCANDINAVIAN AIRLINES SYSTEM, INC., and
KLM ROYAL DUTCH AIRLINES,

Defendants-Appellees.



*On Appeal from the United States District Court
for the Eastern District of New York*

PLAINTIFF-APPELLANT'S REPLY BRIEF

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UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

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ANTHONY J. CALI,

Plaintiff-Appellant, :
v. :
JAPAN AIRLINES CO., LTD., : Docket No.
SCANDINAVIAN AIRLINES SYSTEM, : 75-7168
SCANDINAVIAN AIRLINES SYSTEM, INC., :
and KLM ROYAL DUTCH AIRLINES, :
Defendants-Appellees. : PLAINTIFF-APPELLANTS
REPLY BRIEF
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The basic question presented on this appeal is whether Congress may constitutionally provide for less than exclusivity in the original patent grant.

The Court below and Defendants (D.Br. p. 11)* relied on Deepsouth Packing Co. v. Laitram Corp. 406 U.S. 518 (1972), 525-526, which, in turn, had relied upon the statement in Mast, Foos, & Co. v. Stover Mfg. Co., 177 U.S. 485, 494 (1900) that "Congress having created the patent monopoly may put such limitations on it as it pleases." However, Mast, Foos was concerned with conditions of patentability, specifically the prerequisite that an invention may not be patented if it had been known or used before (see 177 U.S. at 494). Such a condition is not discretionary with Congress. Congress lacks the Constitutional authority to issue patents on inventions which had been known and used before. The Supreme Court's statement in Most, Foos, & Co. cannot be considered to negate the

* D.Br. refers to Defendants' Brief.
P.M.Br. refers to Plaintiff's Main Brief.

inherent Constitutional "limitation" as to Congressional power.

(Graham, 383 U.S. at p. 5; see P.M.Br. p. 17).

In Deepsouth v. Laitram Corp. 406 U.S. 518 (a 5-4 decision) the majority held that the assembly of elements outside the United States did not constitute infringement. The majority observed that the provisions of the patent law "obviously are intended to grant a patentee a monopoly over the United States market; they are not intended to grant the patentee the bonus of a favored position as a flagship company free of American competition in international commerce" (406 U.S. at p. 523).

Yet the Court below used Deepsouth to support the reverse proposition that a foreign airline may use a patented invention in the U.S. free of U.S. patents.*

While Congress has the power to promote the progress of science and the useful arts, the power is permissive (Deepsouth, 406 U.S. at 530) but the exercise of this power is prescribed at least as to outer limits by the Constitution (A&P, Graham, see P.M.Br., pp. 17-18). The patent clause sets forth the basic means of a high standard of invention and the reward of securing exclusive rights. This is a mandate -- written into the constitution by its framers. They are opposite sides of the same coin.**

*Since a U.S. company such as Eastern or TWA is subject to a U.S. patent, the Court's decision puts the foreign airline in a favored position both as to its U.S. competitors as well as a U.S. inventor. This does not follow from the facts or holding of Deepsouth.

**We do not question Congress' authority to remove certain areas of technology such as atomic energy or computer programs as being the proper subject matter of patents. In such cases, Congress has chosen not to exercise its patent power and inventors in such fields make no disclosures of inventions to the public and receive no patent. No question as to the scope of a patent grant arises.

In further support of the proposition that Congress may grant less than exclusive rights, and may further grant royalty-free licenses to an industry segment, Defendants rely upon Radio Position Finding Corporation v. Bendix, 205 F. Supp. 850 (D. Md. 1962). However, this case is addressed to the determination of the scope of rights granted to an extension patent monopoly under a private law, after the original patent expires, and is so limited. An extension patent is not consideration for the original disclosure; any grant and any conditions imposed on the grant are gratuitous on the part of Congress. The Court held that it was within the power of Congress to impose equitable limitations in the scope of the grant similar to those imposed in the nature of intervening rights, which exist after a patent is reissued (see 35 USC 252, par. 2).* Radio Position leaves the issue presented here open.

In the recent decision of the Supreme Court, Twentieth Century Music Corporation v. George Aiken, ____ U.S. ____ , 45 L Ed. 2d 84, 186 USPQ 65 (1975), it was held that use of a broadcast in an entertainment and business establishment was not an infringement since it was not a performance. (See the lower court's opinion, 500 F. 2d 127 (5 Cir. 1974)). Copyright cases involve a performer and a viewer. A viewer is a passive beneficiary. The copyright owner receives his tribute from the performer. Having licensed and received revenue, the copyright owner cannot complain about lack of exclusivity or lack of just compensation. No royalty free license was there legislated, as is the case here. The copyright owner thus receives a "fair return" as a royalty based on the original performance

*See Addendum

reflecting the balance of competing claims. (See 45 L Ed 2d at p. 89).

Defendants further argue that Congress has the right to grant less than an exclusive right under the patent grant, and a royalty free license to foreign airlines pursuant to the commerce and treaty power.

The commerce power is distinguishable from the patent power since the commerce clause of the Constitution does not require Congress to secure exclusive rights to any one under any circumstances. McCulloch v. Sociedad Nacional, 372 U.S. 10 (1963) basically is unapplicable. That case involved a question of sovereign immunity which is not in issue here. Even if it were in issue, the defendants in applying for foreign air carrier permits, have expressly waived any defense based on sovereign immunity.

Moreover, the issue here does not depend upon the treaty power, for, as pointed out in Brown v. Duchesne, 60 U.S. (19 How) 183, (1857), the issue must be decided under the patent laws. The Supreme Court said:

"This question depends on the construction of the patent laws" (60 U.S. at 194)

The patent claim, if "well founded in the patent laws, could not be controlled or put aside by the treaty." (p. 197).

We contend that Cali's claim for exclusive rights is therefore governed entirely by the patent laws, interpreted in light of Patent Clause of the Constitution. Any treaty which perfects a U.S. inventor's exclusive rights in the U.S. only by filing patent application abroad (see D.Br., p. 22) imposes conditions not required by the Constitution. Cali's U.S. patent rights under the Constitution are in no way dependent upon, and made conditional upon filing any

patent application outside the United States. To impose such obligations on a United States inventor would be onerous and could only be afforded by the wealthy individuals.*

Conclusion

Defendants' entirely ignore our argument that Congress did not have the power under the war declaration clause and even during war time to use inventions for war-time use. We reference to Cramp & Sons v. Curtis Turbine Co. 246 U.S. 29, 39 (1918) and related cases for the proposition that the rights of a patentee were secured under the United States Constitution and were exclusive. (See P.M.Br. pp 19-21). It necessarily follows that if Congress lacked the authority to grant royalty-free licenses under its war-time power, it lacks the same authority under the treaty or commerce power.

And although the Defendants say that the foreign airlines are in this country temporarily, it must also be recognized that the Defendants also claim the defense of being airlines of foreign countries. The existence of foreign countries (like Japan) are of a permanent nature; and their national airlines (JAL) will do business in the United States in the foreseeable future. JAL, for

*Cali is a mechanic employed by Pan Am. In the original appeal before this Court, his financial condition was made of record. He was granted leave then to file four typewritten briefs. The treaty rights which allow foreign patent filings by U.S. inventors and companies are desirable, but since foreign filings are prohibitively expensive to individuals of modest means, such rights should be deemed irrelevant in this appeal.

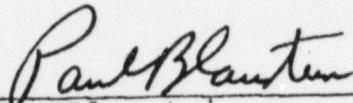
example, has been licensed to do business in New York State which is a permanent, not a temporary business and has conducted vast business in the United States.

If the Defendants are not here "temporarily", then, we submit their airplanes which are only machines and respond to the schedules imposed by the Defendants could not be here temporarily. In granting foreign air traffic permits, recognition is given to the distinction between foreign and United States airlines. Foreign airlines are required to waive sovereign immunity. They are given the right to enter and leave the U.S. as they see fit. Their permits are not temporary ones. The operations of foreign airlines in the United States are subject to the vicissitudes of international business, just as the domestic carriers are subject to the extremes of the United States business cycles. No carrier can guarantee its permanent existence. That doesn't make their presence temporary.

Approaching the matter as one of fact, we see that JAL is licensed to do business in the United States, that SAS has formed an operating unit in the United States which has a separate corporate status, that KLM has obtained vast proceeds from the United States market, the securities of which would not have been purchased by United States citizens if they did not expect KLM to continue operations in the United States.

It would be only a pure legal technicality to say that the defendants and their aircraft are only temporarily in the United States, given the magnitude of their operations.

Respectfully submitted,



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Dated: September 12, 1975

35 U.S.C.

§ 252. Effect of reissue

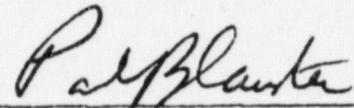
The surrender of the original patent shall take effect upon the issue of the reissued patent, and every reissued patent shall have the same effect and operation in law, on the trial of actions for causes thereafter arising, as if the same had been originally granted in such amended form, but in so far as the claims of the original and reissued patents are identical, such surrender shall not affect any action then pending nor abate any cause of action then existing, and the reissued patent, to the extent that its claims are identical with the original patent, shall constitute a continuation thereof and have effect continuously from the date of the original patent.

No reissued patent shall abridge or affect the right of any person or his successors in business who made, purchased or used prior to the grant of a reissue anything patented by the reissued patent, to continue the use of, or to sell to others to be used or sold, the specific thing so made, purchased or used, unless the making, using or selling of such thing infringes a valid claim of the reissued patent which was in the original patent. The court before which such matter is in question may provide for the continued manufacture, use or sale of the thing made, purchased or used as specified, or for the manufacture, use or sale of which substantial preparation was made before the grant of the reissue, and it may also provide for the continued practice of any process patented by the reissue, practiced, or for the practice of which substantial preparation was made, prior to the grant of the reissue, to the extent and under such terms as the court deems equitable for the protection of investments made, or business commenced before the grant of the reissue.

ADDENDUM

CERTIFICATE OF SERVICE

PAUL H. BLAUSTEIN hereby certifies that a copy of the foregoing PLAINTIFF-APPELLANTS REPLY BRIEF was mailed today, September 15, 1975 to defendants' attorneys, Donald E. Degling, Fish & Neave, 277 Park Avenue, New York, New York and Louis H. Kurrelmeyer, Hale Russel & Stenzel, 122 East 42nd Street, New York, New York.



PAUL H. BLAUSTEIN

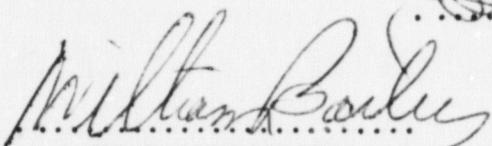
AFFIDAVIT OF PERSONAL SERVICE

STATE OF NEW YORK,
COUNTY OF RICHMOND ss.:

EDWARD BAILEY being duly sworn, deposes and says, that deponent is not a party to the action, is over 18 years of age and resides at 286 Richmond Avenue, Staten Island, N.Y. 10302. That on the 14 day of Oct 1975 at No. 27 Rykline + 122 Cast 42nd St deponent served the within brief upon Fish + Moore + Hale + Russell the Appellee herein, by delivering a true copy thereof to h personally. Deponent knew the person so served to be the person mentioned and described in said papers as the Appellee therein.

Sworn to before me,
this 14 day of Oct 1975

Edward Bailey


WILLIAM BAILEY
Notary Public, State of New York
No. 43-0182945
Qualified in Richmond County
Commission Expires March 30, 1976

